

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EEP-02-38
---	----------------------

**ORDER SCHEDULING TECHNICAL CONFERENCE**

(Issued November 3, 2004)

On July 9, 2004, the Utilities Board (Board) issued an order directing Interstate Power and Light Company (IPL) to respond to a list of questions and provide additional information regarding proposed changes to its electric interruptible credits. IPL filed responses and provided additional information on July 29, 2004.

The responses and additional information provided, particularly with respect to transmission emergencies and the role of the Midwest Independent Transmission System Operator (MISO), have been overtaken by other events and may not adequately address the Board's questions. Subsequent to IPL's responses being filed, the Federal Energy Regulatory Commission (FERC) issued two orders that could impact IPL's interruptible program. First, on August 6, 2004, FERC issued an order that, among other things, conditionally accepted tariff sheets to start energy markets in the MISO footprint. Midwest Independent Transmission Systems Operator, Inc., 108 FERC ¶ 61,163 (2004). Second, FERC issued an order addressing grandfathered agreements in the MISO energy markets on

September 16, 2004. Midwest Independent Transmission System Operator, Inc., et al., 108 FERC ¶ 61,236 (2004). MISO is expected to begin its new markets and centralized dispatch functions on March 1, 2005.

The two FERC orders, along with MISO public information, provide significant new insights about the potential impacts of MISO Day-2 markets, especially use of security-constrained economic dispatch, on Midwestern electricity markets. MISO claims that major improvements caused by its Day-2 market operations will be improved reliability and more efficient use of both transmission and generation assets. Because IPL is a MISO member, the MISO studies and FERC orders appear to directly relate to the potential for future transmission loading relief (TLR) incidents. Avoiding TLRs is cited by IPL as a justification for its new interruptible proposals.

While IPL has discussed the possible impact of MISO operations, IPL has concluded that it does not believe the number of customer interruptions will be reduced in length or number because of an anticipated reduction in TLR incidents. No supporting documentation for this statement is given. The Board recognizes IPL provided its responses prior to the issuance of the two FERC orders and could not have known the contents of the orders. Nonetheless, the increased transmission efficiency expected by MISO seems to suggest a conclusion that is contrary to IPL's. Further, increased availability of low cost generation could result in changes to resource market clearing prices. Both possibilities suggest the need for further information from IPL and other stakeholders.

Rather than directing additional questions to IPL for written response, the Board believes a dialog between Board staff, IPL, and other parties will be most useful in fleshing out the issues related to MISO's planned March 1, 2005, energy markets start. The Board will, therefore, schedule a technical conference for Board staff and the parties to this proceeding on December 2, 2004. The conference will be held in Conference Rooms 3 and 4 at the Board's offices at 350 Maple Street, Des Moines, Iowa. The Board hopes there will be a full and frank exchange between its staff and the participants. No official record will be made of the discussions: If, at the end of the conference, it appears additional information would be beneficial to the record, Board staff will make an appropriate recommendation to the Board.

The discussion will focus on the potential efficacy of IPL's interruptible program, given the likely electricity market changes as of March 1, 2005. Reference material the Board expects IPL to be able to discuss include the impacts of the two FERC orders, a document issued by MISO on March 26, 2004, entitled "The Benefits and Costs of Wisconsin Utilities Participating in Midwest ISO Energy Markets—Initial Results" (the Wisconsin Study), and testimony filed on June 26, 2004, in FERC Docket Nos. ER04-691-000 and EL-04-104-000 by Dr. Ronald R. McNamara (the McNamara Testimony). Because the technical conference is to facilitate an open exchange on the issues, official notice of these documents will not be taken at this time. Official notice may be taken at a later date if necessary to complete the record. The Board's staff has been working to develop questions to ask at the technical

conference to facilitate discussion. The following questions are provided not as an exhaustive list of issues that may be discussed at the technical conference but merely as a guide for IPL and the other parties to assist in their preparation for the conference.

**A. Questions on MISO regional dispatch in comparison with transmission loading relief.**

1. On pages 5 through 17 of the McNamara Testimony, MISO presents a review of historical reliability and congestion management and identifies transmission-loading relief (TLRs) as a source of economic inefficiency.

Does anyone disagree with the analysis of historic congestion management in the McNamara Testimony, and if so, why? In particular, does anyone disagree with the description of the effects of TLRs implemented during 2003 on page 14 of the McNamara Testimony?

2. On pages 17 through 25 of the McNamara Testimony, MISO describes how the system will operate under the MISO transmission and energy market tariff (TEMT).

Does anyone disagree with the description of the benefits of the locational marginal pricing (LMP) system as described on page 20 of the McNamara Testimony and, if so, why?

3. On pages 40 through 60 of the McNamara Testimony, MISO describes the detailed methods and results of quantitative studies on the reliability and economic benefits of the MISO proposed congestion management system.

Does anyone disagree with the analysis and conclusions in this part of the McNamara Testimony and, if so, why?

4. On pages 1 through 9 of the Wisconsin Study, MISO describes its quantification of two scenarios: the participation of Wisconsin MISO utilities in the proposed energy market and the continuation of current operations without a coordinated energy market.

a. Does anyone have an opinion on the applicability of the study to the Alliant-West (IPL) control area?

b. Does anyone disagree with the analysis or conclusions in the Wisconsin Study and, if so, why?

c. Does anyone disagree with the conclusions in the Wisconsin Study about the likelihood of more efficient real-time congestion management under MISO economic dispatch, compared to using transmission loading relief (TLR) procedures?

d. Does anyone disagree with the conclusions of the Wisconsin Study resulting from application of a sample of 28 TLR events, applied to model TLR congestion management on non-Wisconsin MISO and MAPP flowgates, as described on page 3 of the Wisconsin Study?

e. Does anyone disagree with the economic results listed on page 9 of the Wisconsin Study?

5. Historically, interruptible programs in Iowa have been designed to help limit expenditures of scarce resources on generation that would otherwise be needed during system coincident peak operating periods. IPL's interruptible program adds an additional, but potentially complicating factor; transmission curtailments.

a. Can the two different needs be met best with one class of interruptible customer? Two or more?

b. Conceptually, discuss the value(s) of those needs.

c. Can either or both be tied to expected values of IPL's LMPs? If so, what is the source of those LMPs? If LMP is used, how do mitigated congestion rents (mitigated by financial transmission rights, or FTRs) translate to the values of the IPL's interruptible credits?

6. Discuss the pros and cons of having IPL participate in MISO demand response/capacity markets on behalf of all interruptible customers and/or interruptible customers of certain customer classes versus allowing customers to participate in MISO markets, either directly or through authorized agents.

**B. Updated IPL history of interruptible program results.**

1. Has IPL asked for any interruptions in the cooling season of 2004, through September 30, 2004?

2. Have any interruptions in 2004 been identified as due to TLRs or emergencies?

3. How did IPL select which customers to interrupt in order to alleviate TLRs or emergency conditions?

4. Have any entities, including IPL, taken steps to alleviate conditions that could lead to future occurrences of the emergency conditions?

**C. Potential alternatives or alterations to the three options proposed by IPL in its Substitute Application and Rebuttal Testimony.**

On March 29, 2004, IPL filed a Substitute Application containing three proposed options for changes in interruptible rates. Option A was for customers willing to be interrupted with 10 minutes' notice.

1. Could Option A proposed by IPL be modified to provide two-part incentives to customers, with part of the incentive paid as a reservation fee to secure customer participation and part of the incentive paid as a performance payment based on actual interruptions? If not, why not?

2. Could Option A or other options be modified to pay part of the incentives on the basis of willingness of customers to be interrupted repeatedly and for long duration?

3. Could Option A or other options be modified to limit availability of the option(s) to only customers which can provide load reductions in locations most beneficial in responding to TLRs and emergency interruptions?

4. Could Option A be limited to the amount of load needed to respond to the amount of TLRs or emergencies cited by IPL as triggering interruptions in 2003?

**ORDERING CLAUSE**

**IT IS THEREFORE ORDERED:**

A technical conference with Board staff, IPL, and other parties to this proceeding is scheduled for December 2, 2004, beginning at 9 a.m. The conference will be held in Conference Rooms 3 and 4 at the Board's offices, 350 Maple Street, Des Moines, Iowa. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 3<sup>rd</sup> day of November, 2004.